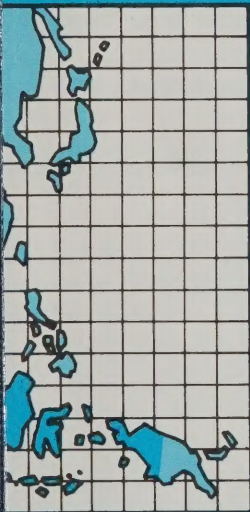


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# Country Profile

# **Indonesia**

Canada







Canadian International  
Development Agency

Agence canadienne de  
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# Country Profile

# **Indonesia**

Canada





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## COUNTRY PROFILE

Official Name	Republic of Indonesia
Capital	Jakarta
Topography	13,500-island archipelago, mountainous, volcanic, forested
Climate	tropical, heavy rainfall
Principal crops	rice, cassava, corn, coffee, tobacco, sugar, rubber
Resources	petroleum, forestry, tin, copper, nickel
Official language	Bahasa Indonesia
Other languages spoken	English, and approximately 250 varieties from the following families: Malayo-Polynesian, North Halmaheran, Papuan
Ethnic groups	Malay, Chinese, Arab, Indian
Religions	Islam, Christian, Hindu Buddhist
Date of Independence	August 17, 1945

<u>Comparative Data</u>	<u>Indonesia</u>	<u>Canada</u>
Area	1,919,000 km <sup>2</sup>	9,976,000 km <sup>2</sup>
Population	161.6 million	24.3 million
Population density	84.2 persons/km <sup>2</sup>	2.4 persons/km <sup>2</sup>
Urbanization	24%	75%
Population growth rate	2.3% per annum	1.2% per annum
Life expectancy at birth	54 years	76 years
Infant mortality	79//1000 live births	9/1000 live births
Adult literacy rate	68%	99%
Primary school enrolment, as % of age group		
total	120%	104%
boys	124%	105%
girls	116%	103%
Percentage of labour force in:		
agriculture	58%	5%
industry	12%	29%
services	30%	66%
% of population under 15	41.8	23.2
GNP per capita (US\$)	\$560	\$11,320
Average annual growth in GNP (1960-1982)	5%	3.1%
Average annual rate of inflation (1973-1983)	18%	9.4%
External public debt as % of GNP	28.9	1.35
Debt service as % of GNP	3.4	4.96
Current account balance (US\$)	-\$6294 million	\$1380 million

Principal exports:	crude petroleum (Indonesia is the world's principal exporter of liquified natural gas), rubber, plywood, coffee, tea, palm oil
Principal imports:	machinery and equipment, mineral products, chemicals, base metals, prepared food, drinks
Principal Commercial partners	Japan, United States, Singapore, Malaysia, Australia, West Germany, Netherlands
Exports to Canada	Rubber, plywood, tea, coffee, textiles
Imports from Canada	wheat, oil seeds, sulphur, wood pulp, newsprint, fertilizer, rubber and plastics, railway tracks, aluminum and zinc, mining machinery, tractors, ships and parts, telecommunications equipment, hand tools and office equipment, potash, aircraft.

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Source: World Development Report, 1985, World Bank



## COUNTRY PROGRAMS

Canada's official development assistance program in Indonesia is administered mainly by the Canadian International Development Agency (CIDA), through three main channels: government-to-government, or bilateral; multilateral, through such international organizations as the World Bank and UN agencies; and through special programs such as support for projects run by Canadian universities and non-governmental organizations (NGOs).

### BILATERAL ASSISTANCE

Canada's relationship with Indonesia has been unlike those with most other developing countries. There exists no Commonwealth link, no linguistic or cultural ties, comparatively few commercial or NGO relationships, and little tourism. Despite this lack of close ties, Canada has been providing development assistance to Indonesia since the 1960s, as part of the Colombo Plan. Earlier projects were mainly in large-scale infrastructure development in areas of agriculture/water resources, energy and transportation.

Canada's current five-year plan of assistance to Indonesia has the following program goals:

- (a) to strengthen Indonesia's planning and institutional base for the development and management of its human and natural resources;
- (b) to facilitate the participation of the private sectors of both Indonesia and Canada in support of long-term Indonesian development requirements;
- (c) to facilitate the creation and implementation of networks and linkages between Indonesian and Canadian private non-profit organizations in support of the development assistance program.

These goals correspond to Indonesia's Five-Year Development Plan which intends to move the Indonesian economy towards a long-term, export oriented, economic restructuring. The following are the main sectors through which these program goals are being pursued.

#### Natural Resource Management: The Environment

Indonesia's fragile tropical environment began to suffer serious degradation as a result of rapid economic growth and resource exploitation. Canada is assisting Indonesia in the environmental sector with an in-depth environment development program. Canada will contribute about \$2.5 million in 1985-86, and \$6 million over a five-year period starting in 1986-87. The expanded project will function as a loose consortium or network of Canadian government agencies, universities, NGOs and private firms interacting with their Indonesian counterparts.

The program provides unique access to a wide range of Indonesian institutions and decision-makers and involves Canada in the resolution of a series of important development issues confronting Indonesia. This



process of exchange and linkage will be jointly planned by the Ministry of the Environment and Population in Jakarta and Dalhousie University, which has expertise in resources and the environment. Activities will take place in a wide variety of fields, including project management, hazardous substance management, urban, rural and industrial regional space planning, ecosystem management in river basins and coastal zones, environmental impact assessment, environmental information systems, environmental law, and so on.

#### Natural Resource Management: Water

Canada is building on the positive results of past and present projects in the areas of river basin studies and water design units. For example, Canada contributed \$480,000 to train ten Indonesians in water resources management, and to supply drilling equipment to allow Indonesians to undertake a survey program.

In another project, Canada contributed \$10.8 million to determine how to improve irrigated agriculture and flood control in the Lower Solo River Basin. This is being accomplished through the provision of consultant services to undertake thirteen different investigations, among which are: a topography survey; ground water exploration; and studies in agriculture, forestry, fisheries, drainage, economics and the environment. Completion of these studies is anticipated in March, 1986.

The Indonesian Directorate of Public Works has received a \$13 million loan to divert water from the western area to 7,000 hectares in central and southern Lombok, sufficient to ensure one rice crop yearly. The loan covers, for example, consulting services for the construction design for two high-level diversion canals plus aqueducts, weirs and siphons; and 75 per cent of the local costs associated with the labour-intensive methods of constructing the required diversion canals and structures and water sector loans.

#### Other Resource Management Projects

Canada assists Indonesia with the development of its agricultural sector through the provision of potash fertilizer with a \$35 million loan and a \$4 million contribution. A fertilizer distribution project, financed by a \$20.5 million loan and a \$1 million contribution, is designed to improve the distribution of urea and other fertilizers produced by a government owned fertilizer plant in Palembang, Sumatra.

The Indonesian Directorate of Livestock Services received a \$12 million grant for the Yogyakarta Disease Investigation Centre. With this project, veterinary diagnostic and investigation services will be provided to strengthen information systems that will lead to improved treatment and control of animal disease in Java. Project components include Canadian professional and veterinary services as well as veterinary training, on the job and overseas, for qualified Indonesians. A laboratory building is also foreseen. Implementation of the project is supervised by the Ontario Ministry of Agriculture.



The Indonesian National Coordination Agency for Surveys and Mapping received a \$21 million loan for a resource evaluation aerial photography project. An area equivalent to 1,006,100 km<sup>2</sup> was covered and the project has provided data for a natural resource inventory and evaluation program and assisted in defining and evaluating Indonesia's forest resource capacity.

Hydrography is another area in which Canada and Indonesia are cooperating. CIDA has recently funded a project under which the University of New Brunswick is to work with the Bandung Institute of Technology in developing a curriculum in hydrographic surveying, designed to meet Indonesian needs and to conform to internationally recognized standards. The project will involve short and long term exchanges of faculty members between the University of New Brunswick and the Bandung Institute as well as longer assignments in Canada for Indonesian faculty members and the supply of some resource materials and equipment to the Bandung Institute.

A project in water resources training and a water resources study in Java and Sumatra, as well as a study to determine Indonesia's fisheries potential are also under way.

#### Regional Development

The Sulawesi Regional Development project pursues three main objectives: the strengthening of planning and implementing institutions at the provincial and district level; support to coordinated area development through the provision of advisory services in planning human and natural resource development projects, and technical assistance, training and capital in the implementation of sectoral activities in agriculture, forestry, environment, resettlement, cooperatives, land resources and agricultural processing. The project is being funded by a loan of \$8.6 million and a contribution of \$12.0 million.

CARE Canada is managing the CARE Sulawesi Water project, which involves the implementation of small potable water systems and other related components such as sanitation, latrines, home gardens, women's group formation, health and nutrition education, training in water systems management, agroforestry, soil conservation, and training of village motivators.

#### Other Bilateral Projects

Among the remainder of the bilateral program are a feasibility study for a hydro transmission facility on Irian Jaya and the provision of design specifications for a transmission line to the town of Sentani; construction of a highway between Banda Aceh and Meulaboh; and the provision of locomotives, a telecommunications system, rails and rail cars for coal transport in Java.



## Human Resource Development

Human resource development is a key sector in the cooperation program with Indonesia. Trained personnel are required in every field important to the promotion of the country's economic development, and it is the goal of the Indonesian government to acquire the capability to do this training effectively and efficiently. CIDA is attaching particular importance to strengthening the country's institutional base -- the universities, colleges and other institutions which have the responsibility for producing the trained personnel needed to implement the country's development.

CIDA made a contribution of approximately \$300,000 to the Open Learning Institute of British Columbia to provide training and professional support to the senior management of Universitas Terbuka, Indonesia's open university with headquarters in Jakarta. Canadians are working with Indonesian counterparts, giving particular attention to course development. Since professors from other Indonesian universities are participating in this project, new ideas on course development are being well dispersed throughout the country. In addition, some senior Terbuka faculty members are taking graduate courses at Simon Fraser University under this project. A further \$3 million for a 3-year assistance program will help establish a computerized registration and record keeping system, develop standard curricula and testing procedures, develop automated procedures for production, storage, inventory and distribution of course materials and provide assistance to staff, including Master's Degree training at Simon Fraser University.

A general program is also being set up through a Human Resources Development support unit in Jakarta and a project office in Canada. It will offer scholarships in fields such as water resources, civil engineering management and science and technology. Non-academic practical attachments in Canada, short training courses in Indonesia and institutional linkages will also be funded through this \$9 million, five-year program.

Other training and education programs include fellowships in administration and English as a second language through World University Service of Canada; training in Canada of 9 engineers at the Masters' level and seminars given by the University of Manitoba in Indonesia which was recently completed; water resource training in Canada of 20 persons from the Department of Public Works of Indonesia and university staff for a Master's level in engineering, plus seminars in Indonesia; training in non-profit management for NGOs; a World Bank sponsored mission of two Canadian education specialists to assist the Ministry of Education in planning for future capacity; assistance to universities in Eastern Indonesia for general development; a study of English as a second language training capacity in Indonesia; and practical attachments for Indonesian civil servants for mapping and resource evaluation at private firms and the Department of Energy, Mines and Resources in Canada.

Training components are associated with a number of projects: the Sulawesi Regional Development project; the Animal Health project; the



Lombok Diversion project; the Disease Investigation Centre; the NTT Design Unit and water resource development project; the hydrographic studies and the environment project.

After oil and gas, lumber is the largest export commodity. Accordingly, Canada has been working since 1975 with Indonesia in the development of a vocational training centre at Samarinda, East Kalimantan. Indonesia provided the site and buildings and Canada provided the funds for the purchase of equipment and for technical assistance. Classes began in 1979 in basic logging, welding, heavy equipment operating, heavy equipment mechanics, small engines and electrical technology. Samarinda is now the largest vocational school in Indonesia and graduates over 500 students a year.

#### Women in Development (WID)

Initiatives in WID are at an early stage due to the relative lack of information about the developmental situation of women in Indonesia. Efforts are now under way to build up an inventory of knowledge and experience as part of a WID strategy which integrates women as both agents and beneficiaries into the proposed projects. For example, an Indonesian woman has been hired as a consultant to collect information on how the water development and irrigation proposals of the Sulawesi Regional Development Project may affect the normal activities of women in the area and to assess how women can make a positive contribution to the work. CIDA and the Indonesian government are also discussing the most effective means of providing Indonesian women with access to the General Training Program.

#### Links with Non-governmental Organizations (NGOs)

In connection with CIDA's objective to promote linkages between Indonesian and Canadian non-profit organizations in support of the development assistance program, the steady growth in the Indonesian NGO sector has provided an encouraging foundation upon which to build. Some ten to fifteen organizations have the capacity to absorb aid from overseas donors and another 30 are rapidly acquiring the capacity. As a preliminary step in establishing linkages, an Indonesia-Canada NGO conference was held in Ottawa in October 1984 under the auspices of the Canadian Council on International Cooperation.

Since then, the CIDA bilateral program has funded some activities undertaken jointly by pairs or groups of Canadian and Indonesian NGOs, such as a training project of the Manitoba Institute of Management and a consortium of Indonesian NGOs. The bilateral program is exploring mechanisms to transfer funds to Indonesian NGOs and is considering bloc funding through an intermediary organization which has a strong field presence in Indonesia.

CIDA plans to work out with the Government of Indonesia criteria for linkage arrangements between Indonesian and Canadian universities and colleges in support of activities in regional and rural development, management training and water resources development.



## PRIVATE SECTOR COOPERATION

Current trade between Canada and Indonesia is relatively modest but increasing in volume. In the past, Indonesia's market presence in Canada was restricted due to its dependence on a narrow range of tropical industrial raw materials. However, since 1983, the composition of Indonesian exports to Canada has begun to shift towards light manufacturing, such as plywood and textiles. In 1983, 30 per cent of Canadian exports to ASEAN went to Indonesia, which emerged second only to Singapore as Canada's largest market in the region.

Canadian business interests in Indonesia, in oil and gas, energy, telecommunications and transportation, are large in scale but narrow in scope. Of Canada's total investment of \$1.1 billion, 98 per cent is accounted for by INCO's nickel mining and smelting complex in Sulawesi. From CIDA's Bilateral Program, a \$30 million development line of credit will be put in place to facilitate the transfer of goods, services and technology from the Canadian private sector to smaller projects, such as feasibility studies, small equipment purchases, and specialized training. Information will be provided to potential Indonesian agencies and Canadian suppliers on the operation and purposes of this line of credit.

### Industrial Cooperation Program

CIDA's Industrial Cooperation Program in Indonesia is fairly active in major capital projects developed by Canadian consultants for financing by, among others, the international financing institutions. The Canadian Project Preparation Facility (CPPF) is the main mechanism for CIDA's contributions to consultants preparing pre-feasibility studies on major capital projects. Joint ventures between Canadian and Indonesian manufacturers are encouraged through the Starter Study, Viability Study and Project Support mechanisms.

Projects in Indonesia to which the Industrial Cooperation Program has contributed to date include ten to twelve CPPF projects with consultant firms and over 40 projects with manufacturers. Applications in the forestry and oil and gas sectors have represented approximately half of all applications received under the CPPF program. Over the past few years, Canadian consulting firms have taken on projects in resource development, social services and transportation.

### SPECIAL PROGRAMS ASSISTANCE

CIDA's collaboration with non-governmental organizations (NGOs) began in 1968, and has since expanded to include diverse activities sponsored by many different types of groups and institutions. The Special Programs Branch contributes to development cooperation projects initiated by voluntary organizations and non-profit institutions which cooperate with their counterparts in developing countries. Most programs in the Branch provide funds which "match" or enhance contributions in cash and in services by the participants in Canada and in the developing country, so



that the value of a project is often much greater than the CIDA funding amount suggests.

CIDA contributions to non-governmental projects in Indonesia reached approximately \$1 million in 1984-85. This figure does not include the Indonesian component of funding provided for volunteer-sending agencies such as CUSO or regional programs. Nor does it include projects implemented by NGOs but financed by Bilateral or Multilateral Branches, such as milk powder shipments or "country focus" projects. The primary emphasis has been on community-based rural development: for example, providing clean water, sanitation facilities and basic health services; training and education programs, including some specifically for women; and support for cooperatives and other means of generating income. The following are examples of the types of projects receiving funding from the Special Programs Branch.

#### NGO Program

The Canadian Catholic Organization for Development and Peace (CCODP) supports numerous small community-based projects in cooperative and credit union training and development, community and social action training, vocational training and so on. The Unitarian Service Committee has a number of rural development projects such as irrigation, water supply, rain catchment, fishing and agricultural productivity improvement, primary health care and community-based rehabilitation for the disabled. World Vision Canada has numerous community development projects, including leadership training and vocational training. Other activities include World Relief Canada's Yamo Valley projects in agriculture and literacy; Mission Aviation Fellowship's aviation development program for isolated communities; Match International Centre's water supply project and their education and skill training project; numerous community development programs by Foster Parents' Plan; and Canadian Lutheran World Relief's village water supply and Bethesda Health Centre projects.

CARE Canada's rural community development program in Sulawesi, financed by a loan of \$8.6 million and a contribution of \$12 million, enhances planning and implementing institutions at the provincial and district level; supports coordinated area development; and assists in the implementation of certain specific sectoral activities such as small scale agro-industrial fisheries, land resource inventory and planning at the provincial level.

#### Institutional Cooperation and Development Services Program

This program enables CIDA to support joint ventures by Canadian and Indonesian institutions such as universities, colleges, unions, cooperatives and professional associations. It also provides funds for co-operant-sending agencies.

The Indonesian Development Centre was established by CUSO, which is also administering a fisherwomen's development program. The Cooperative Development Foundation, in addition to preparing its five-year plan, is also carrying out an interlending study and



running projects in credit union training and development. The Canadian Public Health Association is encouraging community participation in primary health care and Canadian Crossroads International is constructing a school building.

#### International NGO Program (INGO)

Through INGO, CIDA offers support to internationally-based organizations whose programs often span many countries. Some of these provide financial support to member organizations for their national activities; an example is the Planned Parenthood Federation.

#### Management For Change Program (MFC)

The purpose of this small program is to stimulate and support innovative ways of strengthening the management capabilities of developing countries, especially to adapt to their changing needs and environment. Acting as a catalyst for short-term activities, it brings together key executives to share experiences and explore new approaches to management questions. It gives preference to regional rather than national initiatives, and also seeks to improve the management capacity of groups such as women, NGO and rural development managers that often do not benefit from established training programs.

#### OTHER FEDERAL AND PROVINCIAL GOVERNMENT INVOLVEMENT

There is also some involvement of other Canadian federal and provincial agencies in Indonesia. The International Development Research Centre (IDRC) is the most prominent, with projects in the fields of agriculture, fisheries, health, social sciences and rural development. Other areas of federal involvement include participation by the departments of Environment Canada and Energy, Mines and Resources. At the provincial level, activities have been carried out in project management on behalf of CIDA by the Ontario Ministry of Agriculture and Food and the British Columbia Ministry of Education, and a number of field missions have been carried out by representatives of the governments of Alberta, Ontario and British Columbia.

#### MULTILATERAL AND REGIONAL ASSISTANCE

Multilateral assistance involves the pooling of resources by donor countries which are members of international organizations like the World Bank, the regional development banks, and the various agencies of the United Nations and so on. These organizations then use these resources in support of development projects in Third World countries. Canada is an active member of the Inter-Government Group on Indonesia (IGGI), whose main task is to coordinate economic assistance. Created in 1967 to help Indonesia find external financing for its development program, IGGI is composed of the major donor countries, the World Bank, the International Monetary Fund and the Asian Development Bank.

The World Bank was active in Indonesia in 1984-85, spending a total of US\$467.7 million through the International Bank for Reconstruction and Development (IBRD) and the more concessional International Development



Association (IDA). A new loan of US\$156 million for a multipurpose dam and irrigation project was approved, along with a loan for US\$111 million for a national ports development project. Other projects in energy, education, soil and water conservation and population were also supported by the World Bank. Canadian capital subscriptions to the IBRD have averaged \$39.75 million a year to the three years from 1982-83 to 1984-85. In addition, the International Financial Corporation affiliate of the World Bank spent \$163,297 for 13 projects in 1984-85.

During the calendar year 1984, the Asian Development Bank spent US\$587 million in Indonesia. Priority sectors for ADB activity included agriculture, energy, and human resource development. A total of nine loans were approved in 1984, including two sector loans for fisheries and roads, and others in agriculture, for irrigation, estate crops, and livestock, road and port construction, and an education project for development of senior technical schools.

The International Fund for Agricultural Development (IFAD) mobilizes additional resources on concessional terms for the expansion and improvement of food production systems, with special emphasis on small farmers and landless laborers in developing countries. Canada has issued notes totalling \$42 million to IFAD over the 1980-81 to 1984-85 period. IFAD has approved the following projects in Indonesia: US\$20.8 million for smallholder cattle development in 1980; US\$30 million for paddy land development in 1981; US\$21.8 million for irrigation in 1982; and US\$11.6 million for cattle development in 1985.

The largest organization in the UN development system is the United Nations Development Program (UNDP), to which Canada contributed roughly \$59 million in 1984-85. In calendar year 1984, the UNDP spent US\$11.6 million in Indonesia on projects such as human resource development, support for small entrepreneurs, strengthening of managerial and planning capabilities, improvement of social conditions, and regional and urban development.

In 1984, UNICEF spent a total of US\$11.4 million in Indonesia on projects in family planning, nutrition and iodized oil injections for iodine deficiency in children. The emphasis in recent years has been on the provision of mother and child health care, especially the promotion of breast feeding, immunization and the teaching of oral rehydration. Canada contributed \$13.25 million to UNICEF in 1984-85.

The United Nations Fund for Population Activities (UNFPA) spent over US\$2.6 million in 1984 on 14 projects involving activities to increase acceptance of smaller families, population education, improvement of the status of women, and a training module in small enterprise management. Canada contributed \$10.25 million to UNFPA in 1984-85.

The UN High Commissioner for Refugees (UNHCR) spent approximately US\$3.5 million in Indonesia and the International Committee of the Red Cross will spend an estimated US \$3 million on their operations in East Timor. Canada contributed \$5.5 million to UNHCR and \$750,000 to the Red Cross in 1984-85.



Food Aid

Longer term efforts to help Indonesia achieve food self-sufficiency are complemented by more immediate measures to combat food shortages. The World Food Program is a UN institution associated with the Food and Agriculture Organization that supports feeding programs for nutritionally vulnerable groups and uses food aid in food-for-work projects to provide work and income for the unemployed. In 1984-85, the WFP delivered 1,094 tonnes of yellow split peas for Indonesia for a total value of \$442,659.



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